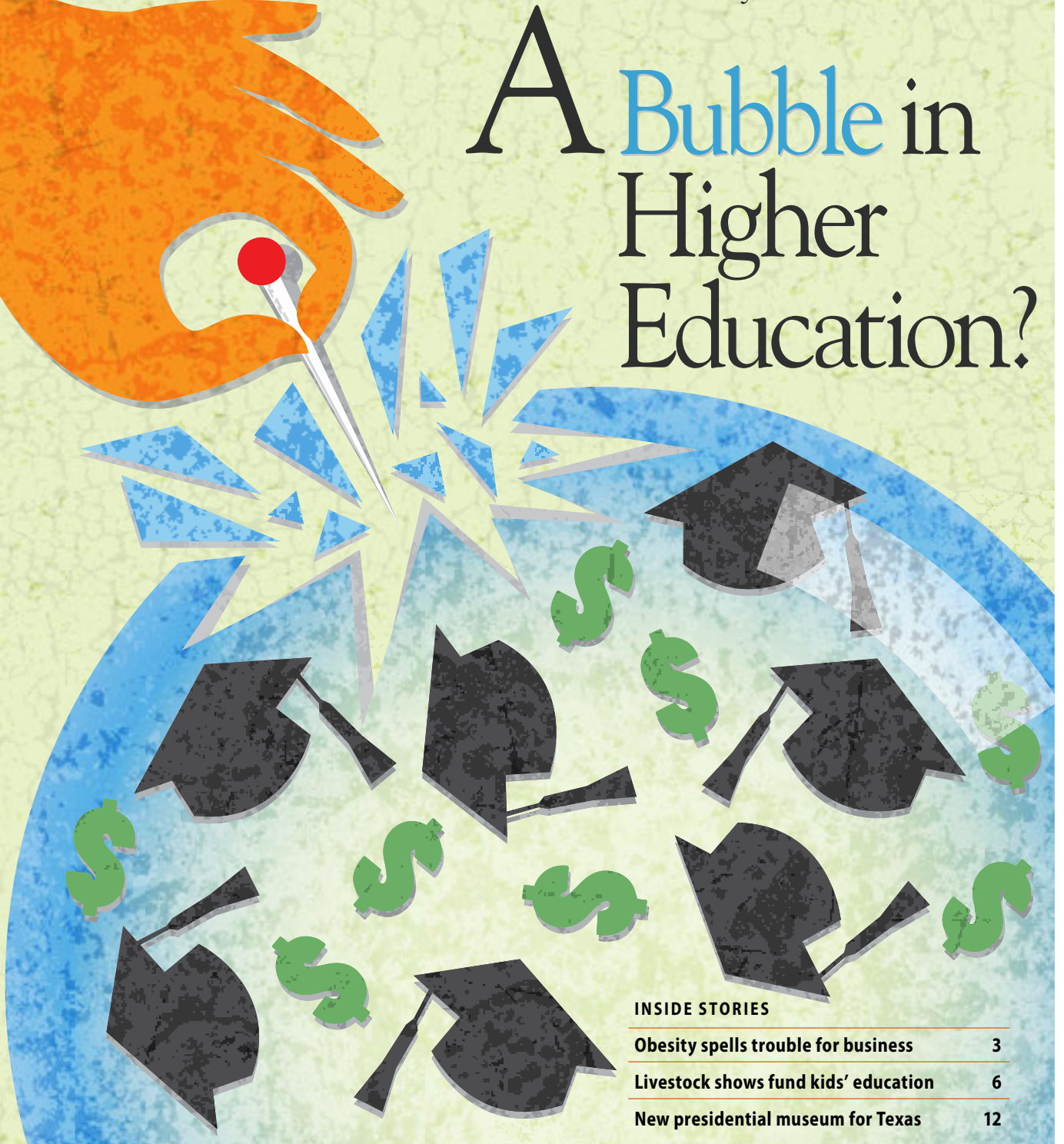


FISCAL NOTES

JUNE REVENUE (IN MILLIONS): SALES TAX: \$1,731.0 OIL PRODUCTION: \$155.3 NATURAL GAS: \$71.2 MOTOR FUELS: \$264.6 MOTOR VEHICLE SALES: \$272.0 TOBACCO: \$137.4

An Interview with Pundit
Glenn Reynolds **SEE PAGE 10**

A Bubble in Higher Education?



INSIDE STORIES

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New presidential museum for Texas	12

LETTER FROM THE COMPTROLLER

AFAT ENVELOPE. It's what high school seniors across Texas hope to find in the mailbox from their college of choice. If it's the dreaded thin envelope, a rejection, parents can expect to spend the dinner hour trying to convince their son or daughter that life's blessings sometimes come well-disguised.

But if it's an acceptance, it may be the happy young person who's trying to cheer up the parents, with assurances that he or she will apply for every available grant and take a part-time job to help pitch in on the tab for their education.

Because no matter how much money mom and dad set aside to pay for college, these days it seems like it's never enough.

Whether they're staring at four years of tuition or just searching for ways to pay monthly bills on one less paycheck, a lot of families have been having serious supper-table discussions about finances lately. In the wake of the recent recession, citizens all over the state and country are weighing their options, cutting back and making do.

And they expect their governments at all levels to be doing the same. They're demanding a business-like, bottom-line focus that ensures maximum efficiency and effectiveness. In short, they want to know that their dollars are being spent with discipline and forethought.

That's the challenge facing Texas colleges and universities as well. They must find new and better ways to operate efficiently and produce graduates fully prepared for the workplace of tomorrow.

In this issue of *Fiscal Notes*, we speak with Glenn Reynolds, distinguished educator and commentator, on the spiraling costs of getting a college degree — and some of the causes of this daunting increase. We also look at some of the tools and resources

available to Texans of all ages who are considering starting businesses of their own.

There will never be a shortage of dreamers who want to test themselves in the marketplace of ideas or commerce. The decisions we're making today will help give the next generation of Texas innovators and entrepreneurs the chance to live their dreams.



Susan Combs

ACROSS TEXAS

► **Exxon Mobil** has announced plans for a new campus near The Woodlands. The 385-acre site, which should be completed by 2015, will feature office space, a laboratory, conference rooms, training facilities, restaurants, a child-care facility and an employee wellness center.

► Houston-based **Redstone Companies** will build a 318,000-square-foot office facility as well as a "lifestyle" hotel, complete with spa and fitness facilities, in Houston's Galleria area.

► Texas' **H-E-B** grocery chain is building new stores in Pharr, Granbury and Bryan. All are expected to open in the latter half of 2011; total construction costs for the three projects are estimated at \$34.4 million.

► In the next few years, San Antonio IT hosting and storage firm **Rackspace Hosting Inc.** plans to triple its work force in Austin, from about 300 to 900.

Visit **FiscalNotes.com** to get email alerts on our publications and up-to-the-minute news on the Texas economy.





Gaining Costs, Losing Time

Costs Growing Along with Waistlines

Obesity continues to cost Texas billions of dollars annually, and the tab is skyrocketing, according to a recent follow-up to a landmark 2007 report from the Comptroller's office.

Gaining Costs, Losing Time: The Obesity Crisis in Texas, issued in February 2011, builds on the research reported in *Counting Costs and Calories*, which first drew national attention to the potentially crippling economic effects of unchecked obesity.

Like the previous report, *Gaining Costs, Losing Time* focuses on the cost of obesity to Texas employers. And the updated data show that the crisis is gaining momentum.

OBESITY COSTS

Obesity is a national crisis, of course. U.S. health care costs related to obesity have doubled in less than a decade and account for 9.1 percent of annual health costs, or \$147 billion.

But Texas, unfortunately, suffers disproportionately.

In 2009, more than two-thirds (66.7 percent) of Texans were overweight or clinically obese, compared with 63.2 percent nationally. About 29.5 percent of Texans were clinically obese. And the prevalence of obesity among Texas adults more than doubled in the

last two decades, from 12.3 percent in 1990.

The resulting costs to Texas employers reached \$9.5 billion in 2009, due to direct health insurance expenditures as

well as absenteeism, reduced productivity at work and disability.

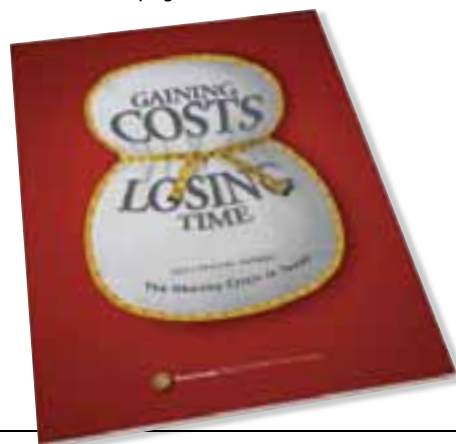
The next generation of Texas workers will be affected as well. Today, 20.4 percent of Texas children aged 10 to 17 are obese, 4 percent more than the national average. If current trends continue unchecked, by 2030 an estimated 36.4 percent of Texans will be overweight and 36.7 percent will be clinically obese. The effects on worker health could cost the state's businesses \$32.5 billion annually.

Excessive weight also carries significant costs for the individual. Children who stay obese through adulthood can expect the condition to cost them thousands over their lifetimes for obesity-related reasons such

Continued on page 4

"An obese and unhealthy work force may be viewed as a huge negative when businesses consider the pros and cons of moving their operations to Texas."

—Comptroller Susan Combs



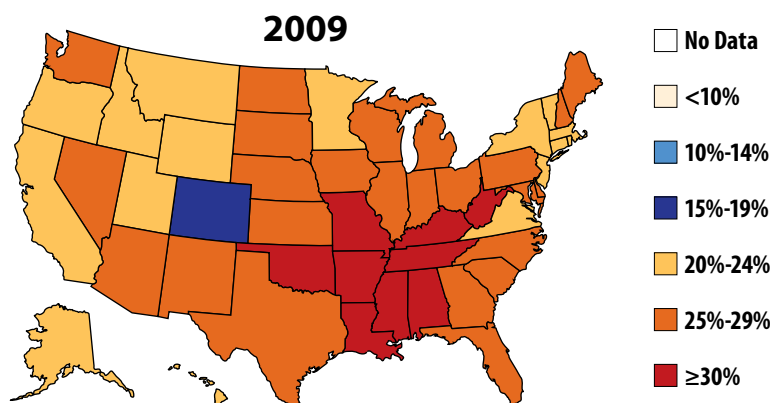
"Today, businesses want to come to Texas because we're seen as a great place for them to operate and grow,"

Combs says, "An obese and unhealthy work force may be viewed as a huge negative when businesses consider the pros and cons of moving their operations to Texas." **FN**

To read *Gaining Costs, Losing Time: The Obesity Crisis in Texas*, please visit www.window.state.tx.us/specialrpt/obesitycost/.

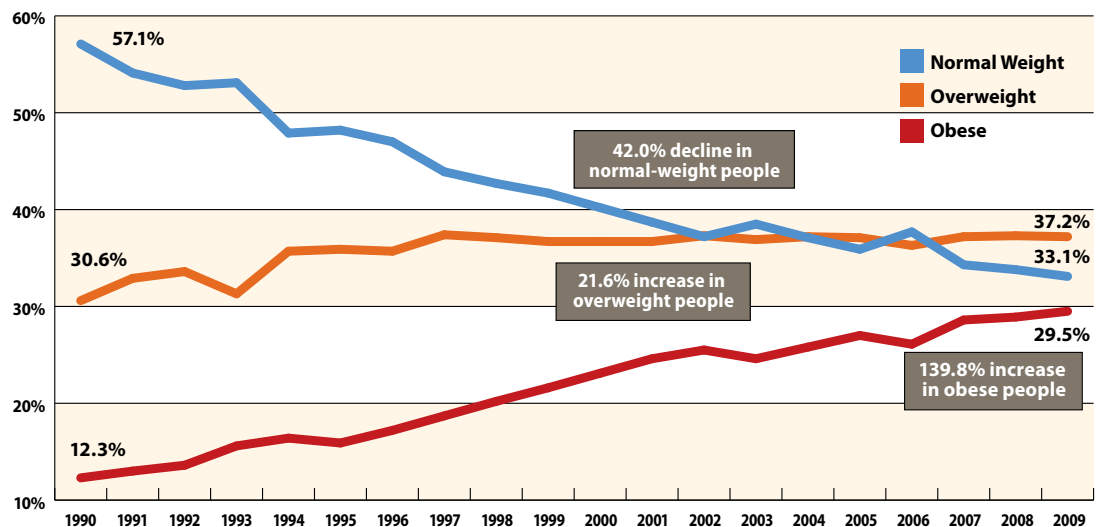
OVERWEIGHT NATION

Data from the Centers for Disease Control and Prevention (CDC) show that, while obesity is a nationwide problem, its incidence varies considerably from state to state. In 2009, Texas fell into CDC's second-worst category, for states with obesity rates of **25 to 29 percent**. Nine states (those in dark red) fared even worse, with **30 percent** or more of their residents clinically obese.



OBESITY PREVALENCE TRENDS IN TEXAS ADULTS, 1990-2009

In Texas, our share of adults who are obese more than doubled from **12.3 percent** to **29.5 percent**. According to the CDC, U.S. adult obesity rates rose from **11.6 percent** in 1990 to **27.1 percent** in 2009.




Source: U.S. Centers for Disease Control and Prevention





SLIMMING DOWN

While *Gaining Costs, Losing Time* details problems and costs, it also offers a series of policy recommendations as solutions, including:

returning physical education  as a high school graduation requirement and making it mandatory in all semesters of middle school;

adding nutrition  courses to the public school curriculum;

limiting or eliminating the eligibility of  soft drinks, candy, cookies and ice cream from the Supplemental Nutrition Assistance Program (formerly known as “food stamps”);

offering a \$1,000 federal tax credit  to Americans who pass an annual wellness exam and physical; and

encouraging restaurants  to list nutrition information on menus.

The report also includes sections on the demographics of obesity in Texas, factors contributing to obesity and the value of worksite wellness programs, which can reduce business health care expenditures and absenteeism costs by 25 to 30 percent.



Obesity is rising faster in children than adults. According to the U.S. Centers for Disease Control and Prevention, the rate of obesity among U.S. children aged six to 11 tripled from 1980 to 2008, from 6.5 percent to 19.6 percent. Among adolescents aged 12 to 19, obesity rates rose even faster, from 5.0 percent to 18.1 percent.

Excessive weight puts children at risk of type 2 diabetes, high blood pressure, gallbladder disease, depression, anxiety and lower self-esteem, while increasing their risk of chronic disease in adulthood.

The 2007 National Survey of Children's Health (NSCH) found that 20.4 percent of Texas children aged 10 to 17 were obese, compared with 16.4 percent for all U.S. children.

According to successive editions of the NSCH, between 2003 and 2007 the number of states with childhood obesity rates at or above 18 percent doubled, from six states to 12 in 2007.

OBESITY COSTS TO TEXAS
EMPLOYERS REACHED

\$9.5
BILLION
IN 2009

PORTION SIZES



8 OUNCES
45 CALORIES
(WITH SUGAR)



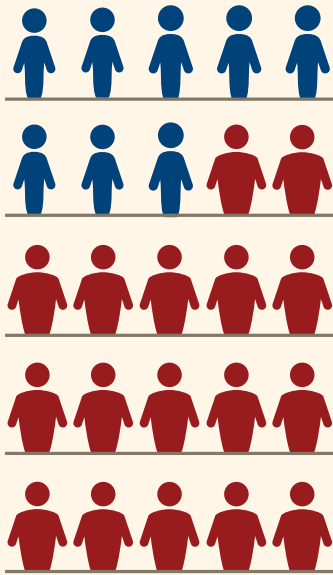
16 OUNCES
350 CALORIES
(WITH MOCHA SYRUP)

Portion sizes for many common food and drink purchases have increased greatly in recent years.

IN 2009,

2/3

(66.7 PERCENT)
OF TEXANS WERE
OVERWEIGHT
OR CLINICALLY
OBESE.

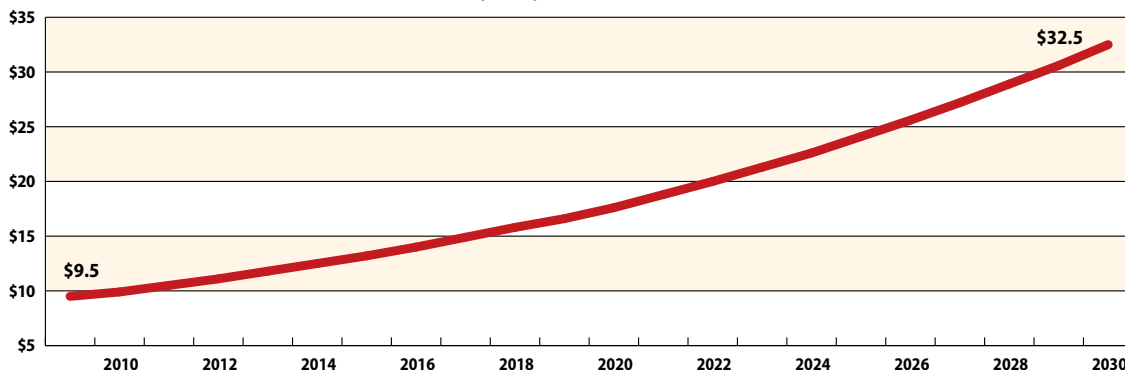


Obesity imposes costs on business ranging from direct health care expenditures to the more subtle effect of reduced efficiency while at work, or "presenteeism." The Comptroller estimates that these direct and indirect costs totaled nearly **\$9.5 billion** in 2009.

AREA OF COSTS	ESTIMATED COSTS	PERCENT
Health care	\$4,022,324,929	42.5%
Absenteeism	1,643,955,363	17.4
Presenteeism	3,469,229,333	36.7
Disability	321,813,719	3.4
Total Costs	\$9,457,323,345	100.0%

TOTAL PROJECTED OBESITY COSTS TO TEXAS BUSINESSES, 2009-2030 (IN BILLIONS)

If obesity rates and the Texas work force continue to increase as expected, these direct costs could reach nearly **\$32.5 billion** in 2030. The total estimate includes cost burdens beyond just direct health care costs.



Stock Shows Fund Futures

Texas Kids Earn College Dollars by Raising Top Livestock



“Well, **KST** came today to play!
They just bought the Reserve Grand
Champion Barrow for **\$6,000!**



Sir, we cannot appreciate you being
here enough. Grand Champion Lamb.
Reserve Grand Champion Lamb.
Grand Champion Barrow and
Reserve Grand Champion Barrow
to **KST ELECTRIC.**”



Top: Tanner Gerngross of Wall FFA in Tom Green County, right, displays his Reserve Grand Champion Barrow and Champion Hampshire banners at the Star of Texas Fair and Rodeo during the Junior Livestock Auction in February 2011. Bottom: Kenneth Tumlinson, president of KST Electric, left, pictured with the Gerngross family after paying \$6,000 for Tanner's barrow at the Star of Texas Fair and Rodeo auction.

As the auctioneer concluded, raucous applause for KST Electric President Kenneth Tumlinson echoed around the marble foyer of the Bob Bullock Texas State History Museum in Austin, signaling the end of Tanner Gerngross's 2011 livestock show season.

The 14-year-old Wall FFA member was just one place shy of the top spot at the Star of Texas Fair and Rodeo Junior Barrow Show. (A barrow, for those of us who generally encounter pork only at the supermarket, is a male pig.) Gerngross's Hampshire pig won best of breed and took the Reserve Grand Champion Barrow spot, second-highest honor at the Star of Texas Fair and Rodeo.

Gerngross was delighted with his achievement.

"I knew he was good — good enough to win his class, but not reserve champion overall," Tanner says.

RAISE ANIMALS, EARN A COLLEGE FUND

Raising animals for show is a way of connecting to Texas' rural past, particularly the local shows that draw hundreds of kids to compete against their neighbors. Texas' modern major stock shows and rodeos, however, have become massive enterprises that allow wealthy Texans and companies to share their good fortune with the youths they see as the state's future.

The auction at the smallest major Texas stock show, San Angelo's,

generates almost half a million dollars annually. Austin's Star of Texas Fair and Rodeo, which expanded to become a statewide show during the past decade, raised about \$800,000 at the 2011 youth auction. Fort Worth's stock show raises about \$2.8 million, and San Antonio's about \$3.5 million.

The biggest money, though, is at Houston's livestock show, which in 2011 generated an estimated \$4.5 million, reaching pre-recession levels of success.

It's the ability to benefit kids who are working hard for their success that spurs bidders to contribute so much at junior livestock show auctions.

Former Houston Livestock Show and Rodeo Chairman of the Board Paul Somerville describes the Houston Livestock Show as "the Super Bowl" of such events. Each year, the grand champion animals sell for six-figure sums.

Houston's Grand Champion Steer, for instance, sold for \$600,001 in 2002. In 2011, a Charolais raised by 17-year-old Koby Long of Collingsworth County commanded a \$350,000 premium; it was bought by a partnership of Somerville, chairman and CEO of Associated Pipeline Contractors, and Tilman Fertitta, president, CEO and principal shareholder of Landry's Restaurants.

"Every young person has some kind of a dream to achieve a goal,"

MAJOR LOOT FOR GRAND CHAMPIONS

At Texas' largest junior livestock shows, kids show animals to earn big prize money, typically for scholarships. In 2011, top prizes ranged from \$2,200 to a whopping \$350,000.

	STEERS	BARROWS	GOATS	LAMBS	TURKEYS	BROILERS	ROASTERS	RABBITS
San Angelo	\$19,600	\$8,750	\$15,000	\$12,200				
Star of Texas	60,000	10,000	10,300	10,000	\$3,500	\$4,500	\$4,500	\$2,200
Fort Worth	185,000	110,000	35,000	100,000				
San Antonio	85,250	48,100	50,000	39,500	16,300	17,100		
Houston	350,000	177,000	140,000	190,000	88,000	120,000		

Sources: San Angelo Stock Show and Rodeo, Star of Texas Fair and Rodeo, Fort Worth Stock Show and Rodeo, San Antonio Stock Show and Rodeo and Houston Livestock Show and Rodeo

Somerville says. "We help to set those goals for young people in the ag business. All these kids want to come out and win the top prize."

For Somerville, the value of supporting youth through the stock show is extremely personal. Five years ago, while his late wife was undergoing treatment at MD Anderson Cancer Center he learned firsthand how huge an impact the stock show could have.

"A doctor came up to me and introduced

Paul Somerville,
Former Houston
Livestock Show and
Rodeo Chairman of
the Board

While the sums are huge, the cash any child can take home from a stock show is capped. In Houston, the grand champion steer cap is \$85,000. Although the sale price was more than four times that amount, the amount over the cap is shared with other participants through a scholarship fund maintained by the Houston Livestock Show and Rodeo. More than 300,000 Texas youths have received scholarships through the fund.

Somerville says that, as an executive committee member of the Houston show, he knows exactly where the money goes.

"No overhead is taken out, it all goes directly to education," he says.

Running costs are covered by ticket sales and 24,000 volunteers provide most of the event's labor. "It rewards kids who maybe don't have the same opportunities [as those raising animals]. The distribution means all those kids get to participate.

"As far as I am concerned, every kid is a winner," Somerville adds. "Whatever the child does, they take on a task that means they have to get up in the morning to work at it. They've learned to set a goal and complete a task."

Continued on page 8

2011 Star of Texas Fair and Rodeo Barrow Judge Keith Anderson watches as Tanner Gerngross shows his breed champion Hampshire. The barrow earned Tanner the reserve grand champion buckle for overall second place among all swine breeds at the show.



himself. His name is Dr. Garth Beinart," Somerville recalls. "He said to me, '17 years ago, you took my mother and me to dinner and gave me a Houston Livestock Show and Rodeo scholarship. And now I am your doctor.'"

Somerville says the effect of the scholarship to Dr. Beinart goes far beyond just his family.

"He'll treat thousands of people," Somerville adds.

The same goes for the hundreds of other youths that earn scholarships from Houston every year.

"The show helps kids at the far reaches of the state and sends them to close to 100 colleges," he says.

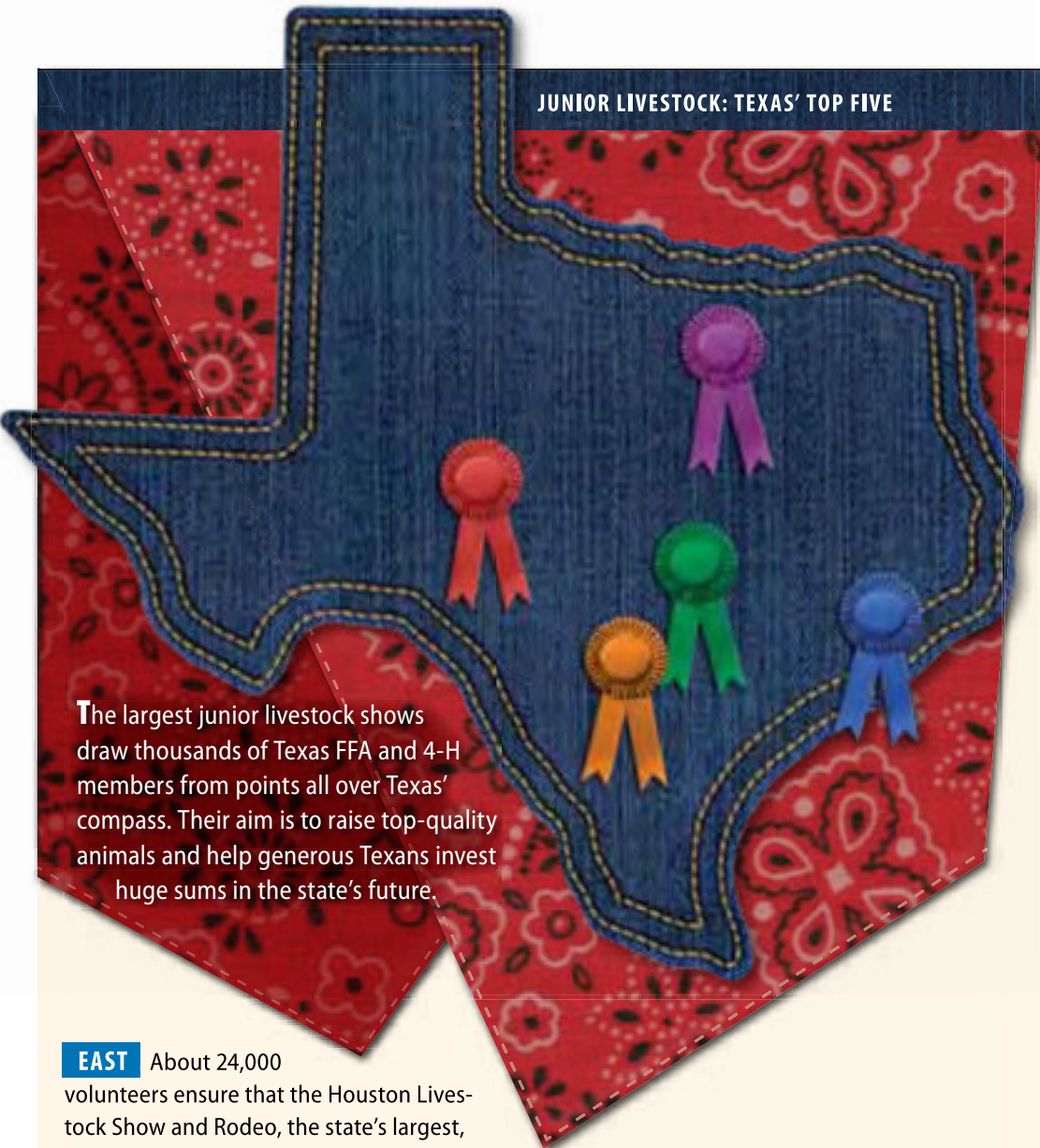
IN 2011,
AT THE HOUSTON
LIVESTOCK SHOW
AND RODEO,
THE GRAND CHAMPION
STEER SOLD FOR
\$350,000
THE WINNING EXHIBITOR
RECEIVES:

\$85,000

THE REMAINING
\$265,000
IS SHARED AMONG
SCHOLARSHIPS FOR
OTHER YOUTHS

MORE THAN
300,000
TEXAS YOUTHS HAVE
RECEIVED SCHOLARSHIPS
THROUGH A FUND
MAINTAINED BY THE
HOUSTON SHOW

JUNIOR LIVESTOCK: TEXAS' TOP FIVE



The largest junior livestock shows draw thousands of Texas FFA and 4-H members from points all over Texas' compass. Their aim is to raise top-quality animals and help generous Texans invest huge sums in the state's future.

EAST About 24,000 volunteers ensure that the Houston Livestock Show and Rodeo, the state's largest, runs smoothly each year. For almost 80 years, Houston's has been the pinnacle of junior livestock shows, drawing more than 7,000 exhibitors. In all, 1,850 livestock entries qualified for the 2011 livestock auction, which raised \$4.5 million.

WEST The San Angelo Stock Show and Rodeo brings together about 3,500 junior entrants from all around Texas to compete for 194 auction places. Its 2011 auction generated record revenue of \$453,000.

NORTH Since its 1896 founding, the Fort Worth Stock Show and Rodeo has grown to include many events and thousands of livestock entries. In 2004, its record year, livestock sales totaled more than \$4.3 million. In 2011, 1,827 livestock entries were auctioned, generating more than \$3.4 million in prize money for Texas kids.

SOUTH San Antonio has been holding agricultural shows since 1854. The modern San Antonio Stock Show and Rodeo began in 1950 and has grown to become a multi-week event. The 2011 show saw 983 youth junior livestock projects auctioned. Recent auctions have raised about \$3.5 million annually to benefit participating youths.

CENTRAL Although its roots date back to 1938, Austin's Star of Texas Fair and Rodeo has the state's newest junior livestock show, welcoming kids from across Texas since 2007. The Star gets bigger each year. More than 400 youths earned a place in the 2011 auction, which generated about \$800,000.

HARD WORK PAYS OFF

Tanner Gerngross' path to Star of Texas success began during the sweaty 100-degree days of August outside San Angelo, where his family farms cotton, milo and wheat on about 3,000 acres. For the past seven years, show animals have had a place on the farm, too — barrows the Gerngross children have raised to show at local and statewide junior livestock shows in Tom Green County and across the state.

Feeding before dawn, showmanship practice after school and evenings spent mucking out barns are everyday life for thousands of Texas kids.

The Hampshire showed promise early on, winning his class at the county show. The judge's comments and the pig's performance there told Tanner where he needed to sharpen up.

"We work with the pigs at our house a lot," Tanner says. "When you work with them more, they know what the stick means and where to go."

Many of the kids don't live on farms or ranches, but they're still working hard at raising goats or lambs, poultry or cattle, swine or rabbits in their yards, FFA barns or wherever they can. Their parents invest in young animals and feed so their kids can focus on the auction sales and scholarships that will fund future college tuition, their reward for raising top-quality animals.

Star of Texas Barrow Judge Brian Anderson recognizes the discipline and character learned through raising animals. Just before he announced the 2011 grand champion, he had a few words of praise for all participants.

"The depth of quality of the animals is up in 2010, but the quality of kids never changes," he says. "The best kids in the country are 4-H and FFA."

For most kids, a big payout is a few hundred dollars at their county show. By the time they graduate high school, they can build their savings up to several thousand dollars. For the most successful at one of the "majors," though, the check can reach tens of thousands of dollars.

All across Texas, thousands of kids save livestock auction proceeds, most often for college scholarships or expenses.

"My dad has a bank account for the auction money," Tanner says. "I have three siblings and we'll split it up four ways. If one does well, we all do well."

Marcus and Jennifer Gerngross ensure that each of their children works with the pig herd and all share in the family's success. When the Gerngross family started with 20 barrows last August, it was impossible to know who'd end up as pick of the pen.

"We never know who's going to do best. That's why we split it up," Tanner says.

ON THE AUCTION BLOCK

At the Star of Texas Fair and Rodeo youth auction on March 25, 384 kids, including the top 20 placing in the Western Art Show, saw their efforts rewarded by buyers who combined to

spend \$800,125, the second-highest total in the event's history. These youths were the most successful of thousands who came to the annual show during the previous two weeks.

Walking to the auction podium under the dome of the Bob Bullock museum was the final step in a seven-month journey for Tanner Gerngross. While his reserve grand champion barrow snoozed in a pen outside, Tanner nervously clutched his winner's banner and looked out across the tables of buyers as the auctioneer coaxed bids from them.

And in a minute it was over, and Tanner headed down to offer his thanks, handing over a gift basket his mom Jennifer brought for buyer Kenneth Tumlinson, a Star of Texas board member.

The \$6,000 premium bid by Tumlinson on behalf of his company, KST Electric, will benefit all four children in the Gerngross family.

Tumlinson knows what the auction

proceeds mean to Tanner and the other kids whose animals KST bought.

"I showed when I was growing up. And my son [now 28] showed and won champion with hogs and broilers," he says. "We think it is a very good cause and we continue to support it."

He used the proceeds from his own stock show endeavors to attend college before he entered the construction business.

"I think that money helped to position me to go into business for myself," he says.

Having a successful company means Tumlinson can afford to support livestock shows in a very meaningful way.

"Many major buyers spend a tremendous amount of money every year," he says. "It is something they like and something they feel is a good cause because it puts money in the hands of kids." **FN**

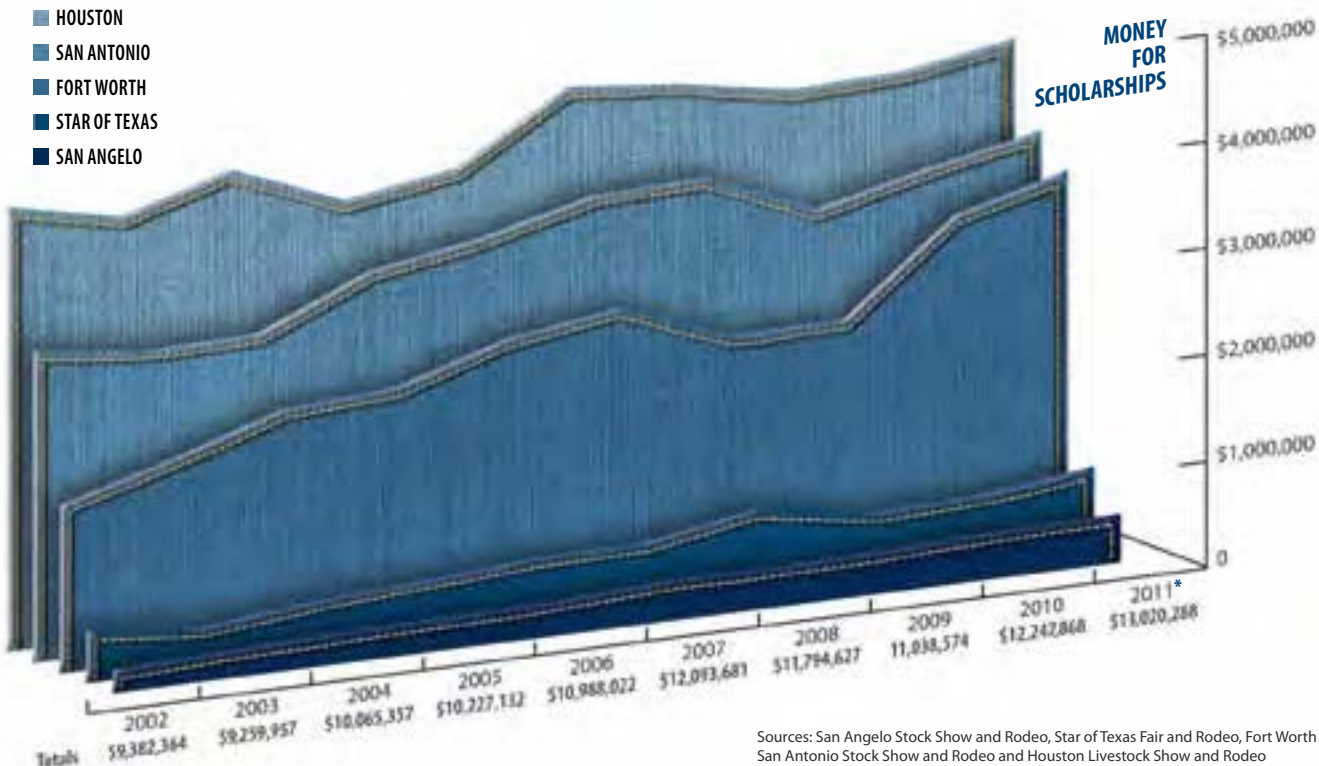
All across Texas, thousands of kids save livestock auction proceeds, most often for college scholarships or expenses.

IN THE LAST DECADE, TEXAS' MAJOR JUNIOR STOCK SHOWS HAVE RAISED MORE THAN **\$110 MILLION** FOR EDUCATION.

MILLIONS FOR EDUCATION

Texas' junior livestock shows draw hopeful 4-H and FFA members from around the state, who hope to earn a place in the auction — and a hefty check. The biggest shows raise millions of dollars to support educational scholarships. In the last decade, junior stock shows have raised more than \$110 million for education.

- HOUSTON
- SAN ANTONIO
- FORT WORTH
- STAR OF TEXAS
- SAN ANGELO



* Estimated totals.

Sources: San Angelo Stock Show and Rodeo, Star of Texas Fair and Rodeo, Fort Worth Stock Show and Rodeo, San Antonio Stock Show and Rodeo and Houston Livestock Show and Rodeo

A “Bubble” in Higher Education?

BY BRUCE WRIGHT



WEATHERING THE STORM:
A SERIES OF REPORTS
ON THE TEXAS
ECONOMIC CLIMATE

To see our entire series of
“Weathering the Storm” articles,
visit www.FiscalNotes.com.

An Interview with Glenn Reynolds

There was a time in our nation’s history when college was reserved for a privileged and well-heeled few. And today many worry that those days may be returning, given the spiraling cost of tuition.

According to the National Center for Public Policy and Higher Education, average U.S. college tuition and fees rose by an astonishing 439 percent between 1982 and 2007 — more than four times as much as the inflation rate for that period (106 percent), and about three times the increase in median family income (147 percent).

Texas hasn’t been immune. Between 1999 and 2010, average tuition and fees at the state’s 10 largest public universities rose by about 120 percent, to nearly \$8,000 annually.

Such increases are forcing recession-battered students and their families to assume increasing amounts of long-term debt. According to the Institute for College Access and Success, 58 percent of Texas’ 2009 college graduates were carrying student loan debt — an average of \$20,015 each. And debt can range much higher, of course, particularly for those attending private schools and pursuing advanced degrees.

Such debt can be daunting for families and crippling for young people just entering the job market, particularly one as rocky as today’s.

So where does it end? College costs can’t continue climbing indefinitely, can they? And what happens if our universities price themselves out of their market?

Such speculation has led many observers to begin describing higher education costs as a classic “bubble” — and one that may eventually give way, with potentially disastrous effects on our schools and society at large.

One such commentator is Glenn Reynolds, Beauchamp Brogan Distinguished Professor of Law at the



“I predict strong financial pressure on colleges and universities that aren’t a good investment for students.” —

Glenn Reynolds,
University of Tennessee
College of Law

University of Tennessee College of Law. As “Instapundit,” Reynolds is one of the nation’s most widely read and influential political bloggers, and a leading voice in the ongoing debate over college costs.

FN: Everyone agrees that the cost of college is soaring, but in what sense would you define the present situation as a “bubble?”

Glenn Reynolds: Definitions of bubbles vary, but this is an economically unsustainable run-up in prices, fueled by cheap credit. As economist Herb Stein once said, something that can’t go on forever, won’t. What we’ve been seeing in terms of costs and tuition can’t go on forever, so it won’t.

FN: There’s a lot of press bemoaning the fact of skyrocketing tuition and fees, but relatively little that attempt to pinpoint why the cost is rising so fast. Various causes have been cited, such as overambitious building programs, administrative “bloat” and an emphasis on “star” scholars and research programs. What do you see as the major factors driving the sharp increase in college costs?

Reynolds: There are a lot of factors, but the biggest is that there are no real constraints on running up costs. Most of the people buying the service — students — aren’t paying for it, at least not right away, and as a result they’re not very sensitive to prices.

FN: Because they’re relying on family resources and student loans, right?

Reynolds: Right. And this means that there’s not much constraint on them. If students had to come up with cash to enroll, tuition would be lower and colleges would be more sensitive to costs, as they used to be.

FN: You’ve written about the “trap” of student loans. What are the likely effects of soaring college debt?

Reynolds: If for-profit corporations operated by getting 18-year-olds to sign on to ruinous debt loads based on often-fraudulent promises of employment, they’d be treated as virtual slavers, particularly if the debt was not dischargeable in bankruptcy. Universities, however, get a pass on this.

The flood of cheap credit has encouraged an explosion in tuition. Meanwhile, the high debt loads facing graduating students will make things worse for the economic recovery. Graduates with \$50,000 to \$150,000 in student loan debt are in a poor position to buy houses, for example, because in effect they already have a mortgage.

FN: Given the present economy, do you think that student loans will continue to be available in sufficient amounts?

Reynolds: The loans are likely to be available, but there’s evidence that students are already growing more reluctant to take them out. This will start to put pressure on colleges and universities to lower prices.

FN: And what do you see as the outcomes if the higher-ed bubble bursts?

Reynolds: Well, when bubbles burst there's always pain. People who have made financial bets on the bubble continuing will lose money. Expectations are unsettled, and there's disruption until a new equilibrium is reached.

I predict *strong* financial pressure on colleges and universities that aren't a good investment for students — particularly lower-tier private schools that are nonetheless very expensive. In addition, majors that don't promise reasonable earnings will cease to attract students, except for those with indulgent parents or trust funds.

FN: Which raises the issue of what some call “the value proposition” — the relation between college costs and graduates’ earnings. Is college simply overpriced?

Reynolds: Well, it depends on the major. “College” is not a single product. A major in business or engineering is probably a better value proposition than a major in women's studies or anthropology, yet the tuition is the same. Here's a thought experiment: what would happen if student loan interest rates, or eligibility, were based on the earnings prospects offered by the different majors?

FN: And if the bubble bursts, what about the colleges and universities themselves? How would they react?

Reynolds: Some schools are already responding. The University of the South at Sewanee has cut tuition by 10 percent. Several law schools have announced tuition

freezes. And several states are looking at closing marginal public institutions or laying off faculty.

FN: Is there anything colleges can do to keep their costs down, and exert some control over these continuous price increases?

Reynolds: Well, there's some conspicuous waste. Today, lots of colleges have expensive “sustainability offices” — clear evidence of an approach to spending that is in itself unsustainable.

But more seriously, many introductory courses could be done online, and at least two-thirds of administrators [don't affect] the students' actual education at all.

FN: Here in Texas, our governor has called for the creation of a “\$10,000 bachelor's degree,” despite considerable skepticism from academia. Is this a fruitful approach?

Reynolds: I think it's entirely possible. It would require a program that was focused very narrowly on educational value to the students, at the expense of other, more powerful stakeholders in the university. But it could certainly be done.

FN: So, in general, can colleges cut their costs meaningfully? And is anything likely to force them to do so?

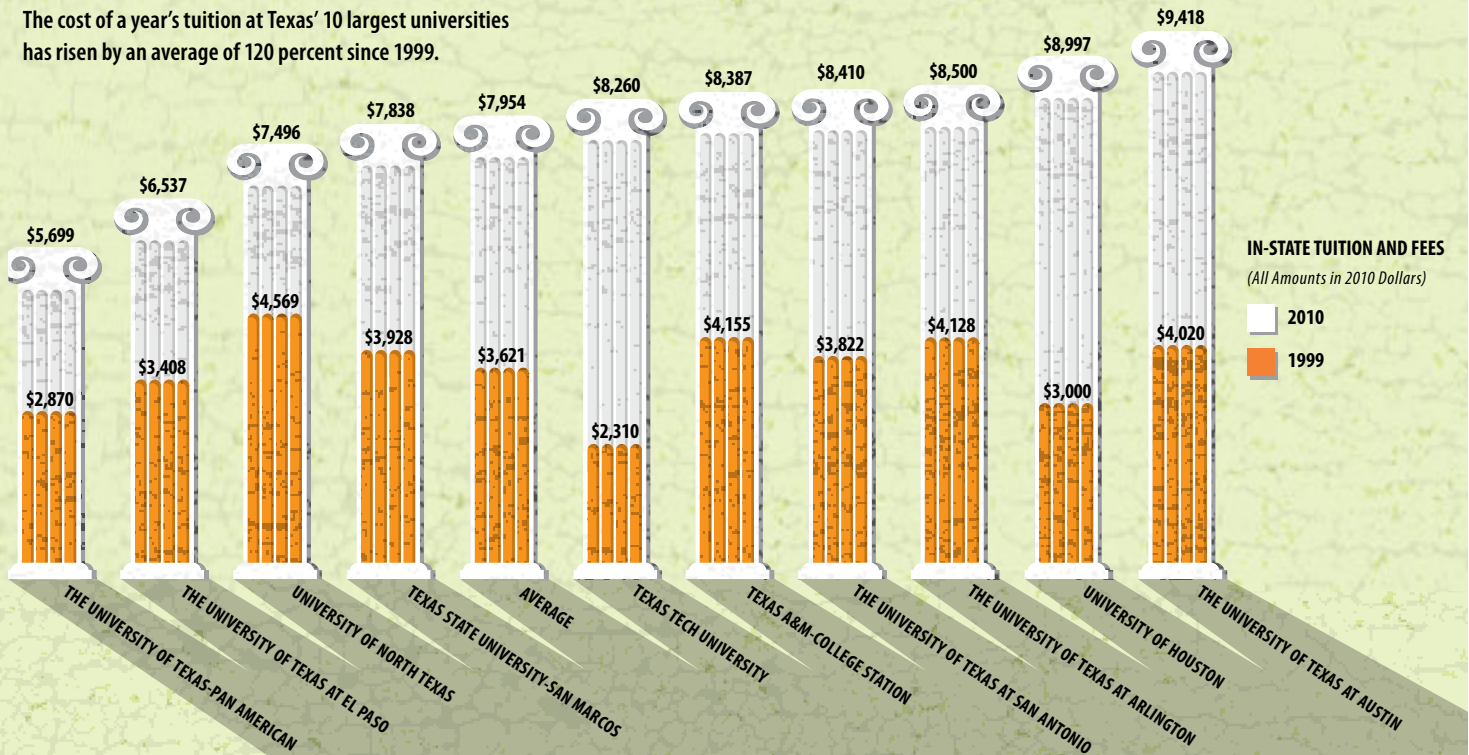
Reynolds: Yes, they can. And economic pressures *will* force them to. The only question is how soon and how painful the adjustment will be. **FN**

Texas parents saving for college should investigate the state's prepaid tuition plan, the Texas Tuition Promise Fund.

BETWEEN 1999
AND 2010,
AVERAGE **TUITION**
AND **FEES** AT
THE STATE'S
10 LARGEST
UNIVERSITIES
ROSE BY
120%.

EVER UPWARD

The cost of a year's tuition at Texas' 10 largest universities has risen by an average of 120 percent since 1999.



All the President's Memories

From the Oval Office to Texas

When the George W. Bush Presidential Library opens its doors in spring 2013, Texas will have a brand-new bragging right. The state will be home to three of the nation's 13 presidential libraries — the most of any state.

Under the Presidential Libraries Act of 1955, the National Archives and Records Administration operates all presidential libraries. The law codified a tradition that began with President Franklin D. Roosevelt, who raised private funds to build the first presidential library and then gave it to the U.S. government to operate through the National Archives.

Presidential libraries are treasure troves for researchers, history buffs, political junkies and educators.

Presidential libraries aren't libraries in the traditional sense — they're repositories for papers, records and other artifacts that document the many events and decisions of a presidential administration. The libraries are treasure troves for researchers, history buffs, political junkies and educators.

The new Bush library, to be located on the Southern Methodist University (SMU) campus in Dallas, joins the Lyndon Baines Johnson Library and Museum in Austin and the George Bush Presidential Library and Museum in College Station, giving our state a unique trifecta in American history.

Visitors will be able to see items such as the bullhorn "W" used at the World Trade Center site on September 14, 2001; the parachute his father used in his 85th birthday jump with the Golden Knights; and the love letters a young Lyndon Johnson penned while courting Lady Bird.

"There are people who collect trips to presidential libraries like others collect stamps," says Mark Updegrave, LBJ Library director. "They enjoy visiting them and

BY DAVID BLOOM



Photo courtesy of the George W. Bush Presidential Library.

The megaphone (above) President George W. Bush used to address New York City firefighters and rescue workers after the 9/11 attacks (below).



checking them off their list. Here in Texas, they'll have an opportunity to experience more than 20 years of American presidential history."

Today, about 150,000 people visit the Bush library in College Station annually, while the Johnson library attracts more than 250,000 visitors. Since Texas' latest presidential library will be located in a city three times Austin's size, and considerably more accessible than College Station — the largest U.S. city not served by a major highway — it's a good bet the new library will meet or exceed those attendance figures.

At present, the materials of the George W. Bush library are being stored in Lewisville. Archivists and



library staff are poring through and readying a mammoth collection of some 43,000 artifacts, nearly 4 million photographs and 80 terabytes

Alan Lowe
Director, George W. Bush
Presidential Library

of electronic information, including nearly 210 million emails, according to Alan Lowe, director of the library. By contrast, the first administration of the Internet era, President Clinton's, produced just four terabytes of electronic data, says Lowe.

And just as the digital era has changed the type of information presidents generate, so too has it altered the expectations of museum visitors. The challenge for presidential libraries is to make the experience fun and engaging to younger Americans raised on video games and computer networks. "People today are used to being in control of their learning experiences," says Updegrove.

The elder George Bush's library recently revamped its core collection, going from just four interactive exhibits to 99. At present, its most popular interactive exhibit is the Situation Room, where touch screens allow visitors to meet and learn about the various players in the Gulf War.

But it doesn't stop there. "It's a multi-layered experience," reports Warren Finch, director of the George Bush library. "Visitors are confronted with various global scenarios and can compare their responses to how President Bush handled the same situations." Library guests also can access video news for every day of the war to see how it was reported to the country and around the world.

Similarly, the George W. Bush library will feature a Decision Theatre, which will challenge visitors to put themselves in presidential shoes and consider various options to the issues the president confronted. When guests want a break from the rigors of executive branch decision-making, they can stop at a Texas Rose Garden, a

Photo courtesy of the George Bush Presidential Library and Museum.



Above: The George Bush Presidential Library and Museum in College Station.

facsimile of the original at the White House.

The three library directors, all close friends from years of working in the presidential library system, are excited about the possibilities of collaborative exhibits, lectures and educational programming. Finch notes that the George Bush and Johnson libraries joined forces a few years ago to mark the 50th anniversary of NASA.

Education is an important mission for all presidential libraries, and the new library at SMU will be no exception.

"We're spending a lot of time thinking about how to best serve the community and the state, providing educators with interesting lesson plans they can use and we plan to offer an array of educational events at the museum," says Lowe. "President Bush and the First Lady have a long-term vision and want the museum to be relevant for students and teachers both today and 50 years from now." **FN**

About 150,000 people visit the Bush library in College Station annually, while the Johnson library attracts upwards of 250,000 visitors.

Artwork courtesy of the George W. Bush Presidential Library.



Artist's conception of the new George W. Bush Presidential Library planned for Dallas.

Entrepreneurialism 101

Getting Started in the Best State for Business

BY MICHAEL CASTELLON

Starting a small business in a turbulent global economy can test even the strongest of characters. But it's this spirit of determination and drive for success that has made Texas a favored destination for businesses looking for a strong environment in which to thrive and prosper.

Despite the bad news nationwide, including an uncertain housing market and flat employment data, there's optimism in Texas, where the lack of a state income tax, healthy export volume and rapid population growth has made the state a relatively safe environment for starting and growing a small business.

Texas' economic data buttresses that optimism. About four-fifths of the Texas jobs lost during the recession have already been recovered. And at this writing, the state's unemployment numbers have remained below the national average for 52 consecutive months.

GETTING OFF THE GROUND

Our state offers a number of resources for Texans hoping to turn their dreams into a profitable enterprise.



*Rachel Snell
Marketing Coordinator
Comptroller's Statewide
HUB Program*

The state's official website, Texas.gov, offers a wealth of information on unemployment insurance, labor laws, available incentives and other topics of interest. A section called "MyTexasBiz" tells prospective business owners the permits and licenses they need to get started in Texas.

The Comptroller's own Texas Business Advisor also provides helpful information, serving as a convenient "one-stop shop" for information on starting a business in Texas.

The Texas Governor's Small Business Advocacy group provides numerous links to state and federal resources, information on exporting and a detailed "Guide to Starting a Business" that introduces beginning entrepreneurs to the major mileposts facing any new business, including:

- defining a legal structure for the new business and properly filing a business name;
- determining its potential federal, state and local tax responsibilities;
- obtaining needed licenses, permits, certifications, registrations or authorizations; and
- understanding federal and state employer requirements.

The Comptroller's office offers assistance to the state's historically underutilized businesses (HUBs). HUBs are businesses that are least 51

percent owned by a minority member or a woman, with their principal place of business in Texas and at least one owner residing in the state.

Texas' statewide HUB Program is intended to encourage HUB involvement in the state procurement process and to ensure that they receive a fair share of state business. Registered HUBs also are urged to participate in the Centralized Master Bidders List (CMBL), a list of pre-approved vendors that state purchasers must consult before contracting for goods and services.

"The Centralized Master Bidders List is essentially a master list of reliable vendors," says Rachel Snell, marketing coordinator for the Comptroller's Statewide HUB Program. "Our goal is to create access, and give registrants the ability to receive bids based on products or services they can provide the state. State purchasers are required to go here first to develop a mailing list to send notifications of their needs."

In addition, contractors often use the state's HUB Directory to identify HUBs for subcontracting opportunities.

In fiscal 2010, certified HUBs received more than \$2.1 billion in state spending, including more than \$987 million in subcontracts awarded by other state contractors. While the state's total expenditures fell by more than \$260 million in fiscal 2010, its spending with HUBs rose by more than \$148 million, a 7 percent increase. The percentage of dollars spent with HUBs rose from 14.5 percent to 15.9 percent.

"The CMBL and the HUB certification are two separate databases but together increase your exposure to the state government," says Snell. "Networking is another important step. You are the best voice for your company."

HUB certification is free of charge and inclusion on the CMBL costs \$70 annually.

ABOUT

4/5

OF THE
TEXAS JOBS

LOST DURING THE RECESSION
HAVE ALREADY BEEN
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•
IN FISCAL 2010, CERTIFIED HUBS

RECEIVED

MORE THAN

\$2.1

BILLION

IN STATE SPENDING, INCLUDING

\$987

MILLION

IN SUBCONTRACTS.

MORE ONLINE

To apply for HUB certification or to register as a state vendor for the CMBL, get started at www.window.state.tx.us/procurement/registration.

The U.S. Small Business Administration offers an online Small Business Training Network — a virtual classroom that offers courses in finance and accounting, business planning, and marketing and advertising at no cost. For more information, visit www.sba.gov/category/navigation-structure/counseling-training. **FN**

An Early Start for Entrepreneurs

BY CLINT SHIELDS



Entrepreneurship often starts with a single moment's inspiration. But turning that moment into success in business requires certain knowledge and skills. And a 2010 study by Cambridge, Mass.-based Monitor found that Texas lags behind other states in entrepreneurial education.

Teaching these skills is the mission of the Network for Teaching Entrepreneurship (NFTE). NFTE's Greater Dallas chapter, the only one in Texas, partners with the Dallas Independent School District (DISD) to offer entrepreneurship education to students at 27 middle and high school campuses. Ninety-two percent of the kids in the NFTE-Greater Dallas program are from low-income families.

"Going to work for a company for the rest of your life is pretty much not a reality anymore," says Laura Maczka, NFTE-Greater Dallas director. "Our entire purpose is to show kids the relevance of graduating from high school and changing your living situation through education and work."

In the NFTE-Greater Dallas curriculum, every student must develop a business idea and write and defend a business plan. The organization provides seed capital to some

participants and provides more funds for selected student businesses at the school year's end.

In addition to the regular curriculum, NFTE-Greater Dallas offers two-week "BizCamps" — crash courses in entrepreneurialism — to students from all school districts in the region. Students who successfully complete the camp can enter business-plan competitions in the ensuing school year.

NFTE-Greater Dallas trains DISD teachers to offer the program, which currently has about 2,000 participants. In addition to its educational goals, Maczka says NFTE-Greater Dallas wants the class offerings to become part of the student culture at DISD campuses.

"We're trying to become that sought-after class that people know about, and create a pathway for those kids, starting in middle school," she says. "Ultimately, we'd like to see these kids go on to college and complete this path of entrepreneurial education." **FN**

"Ultimately, we'd like to see these kids go on to college and complete this path of entrepreneurial education."

—Laura Maczka
NFTE-Greater Dallas Director

Brief Bytes



AUSTIN AN IT HOT SPOT FOR EMPLOYMENT

A recent study from online salary comparison site PayScale.com named Austin among the top U.S. cities for information technology (IT) jobs with startup companies. The study defined “startup” IT companies as those having fewer than 75 employees, and ranked cities on the basis of median salaries and a comparison of their ratio of IT workers at startup IT firms to all workers versus the national ratio.

Austin ranked No. 2 nationally in the IT Startup Salary Hotspots Report, with San Francisco claiming the top spot. And while Austin’s median pay of \$67,400 was lower than those in cities such as Seattle, Boston and New York City, the city offered the nation’s second-highest IT employment ratio.

(Tracey Lamphere)

PROGRAM HELPS TEXANS AFFORD HOMES

The Texas Mortgage Credit Program (TMCP) helps low- and moderate-income Texans — especially first-time homebuyers — purchase homes. Program applicants recently received a boost when the Texas Department of Housing and Community Affairs (TDHCA), which oversees the program, released more than \$45 million in mortgage credit certificate authority to assist homebuyers.

This credit authority, essentially a tax credit, reduces a borrower’s tax liability. It applies to about \$150 million in mortgage loans and should help more than a thousand eligible Texas families buy homes, once they have completed a certified homebuyer education class.

“The Texas Mortgage Credit Program is another helpful yet responsible resource that TDHCA can offer to qualifying Texas families who are prepared to be homeowners,” says acting TDHCA Executive Director Tim Gervin. “This is a terrific program, and we are excited to make it available to our fellow Texans.”

Qualifying families can deduct 30 percent of their annual mortgage interest, up to a maximum of \$2,000 per year. The benefit lasts for the entire life of the mortgage loan.

TMCP IS GEARED TOWARD TEXAS FAMILIES WHO:

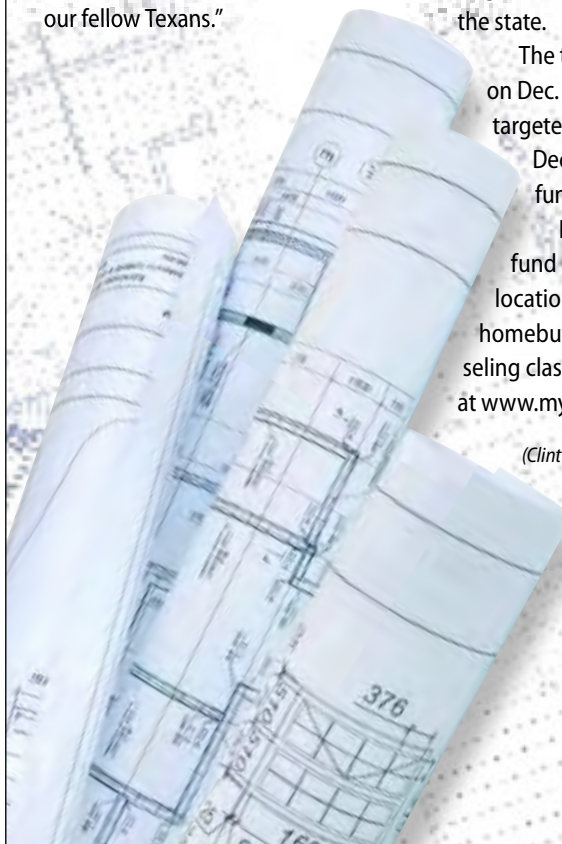
- are first-time buyers or who have not owned a home in the previous three years;
- will use the home they buy as their primary residence; and
- meet certain income and home purchase requirements, as well as the qualifying requirements of the mortgage loan.

The \$45 million was split into two funds, targeted and non-targeted. The targeted fund is intended to help buyers in areas of the state affected by natural disasters, while the non-targeted is available to the rest of the state.

The targeted fund expires on Dec. 12, 2011, while the non-targeted authority expires on Dec. 31, 2011 — or until are funds are distributed.

Program details including fund availability, FAQs and locations and providers of homebuyer education and counseling classes are available online at www.myfirsttexashome.com.

(Clint Shields)





TEXAS A&M GENERATES \$3.7 BILLION IN ECONOMIC ACTIVITY

According to Texas A&M's Division of Finance, the Texas A&M University System provided the state with a record-setting \$3.7 billion in economic activity in 2010, \$213.4 million more than in 2009. A record high in fall enrollment, construction activity and new-student conferences helped spur the increase.

The study showed that Texas A&M and other components of the A&M system in Bryan-College Station had a direct impact of almost \$1.5 billion on the local economy, \$85.3 million more than in the previous year.

Student spending also contributed to the increase in economic activity, with a \$38.6 million increase over 2009.

New-student conferences — mandatory two-day sessions held in the summer — significantly added to the number of visitors to the Bryan-College Station area.

The system's construction costs for calendar 2010 totaled almost \$273.5 million, an increase of about \$133 million over 2009.

(Tracey Lamphere)

TEXAS JOB GROWTH OUTPACES U.S.

Texas continues to generate jobs more quickly than the nation as a whole, with a 1.9 percent growth rate between May 2010 and May 2011, according to the Texas A&M University Real Estate Center's most recent *Monthly Review of the Texas Economy*. This growth represents about 198,400 jobs gained.

Over the same period, U.S. nonfarm employment rose by just 0.7 percent.

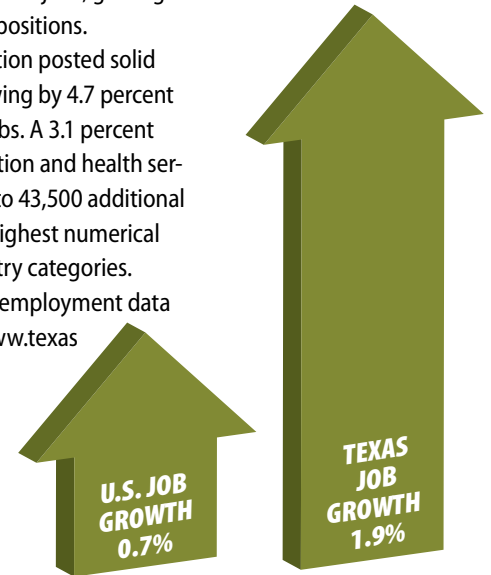
Employment in Texas' mining and logging industry — mostly oil and gas production — rose most quickly during the period, expanding by 15.6 percent or 31,700 jobs. Professional and business services added

the highest number of jobs, gaining 54,400 additional positions.

Texas construction posted solid gains as well, growing by 4.7 percent or about 26,400 jobs. A 3.1 percent increase for education and health services translated into 43,500 additional jobs, the second-highest numerical gain among industry categories.

Texas jobs and employment data are available at www.texasahead.org.

(Clint Shields)



JOB GROWTH IN TEXAS, MAY 2010 TO MAY 2011

RANK	INDUSTRY	JOB COUNT	12-MONTH CHANGE: JOB COUNT	PERCENT
1	Mining and Logging	234,900	31,700	15.6%
2	Construction	591,800	26,400	4.7
3	Professional & Business Services	1,319,800	54,400	4.3
4	Education & Health Services	1,430,700	43,500	3.1
5	Trade	1,659,900	36,800	2.3
6	Other Services	370,600	8,200	2.3
7	Leisure & Hospitality	1,045,500	19,800	1.9
8	Manufacturing	818,600	10,700	1.3
9	Transportation, Warehousing, Utilities	419,700	4,500	1.1
10	Financial Activities	625,800	2,700	0.4
11	Government	1,889,600	-31,000	-1.6
12	Information	186,900	-9,300	-4.7

Source: Texas A&M University Real Estate Center

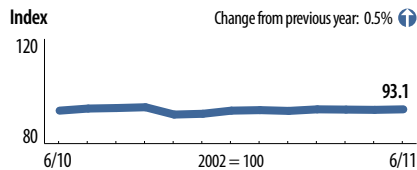
Texas by the Numbers

For detailed statistics on the Texas economy, check the Comptroller's website at www.TexasAhead.org

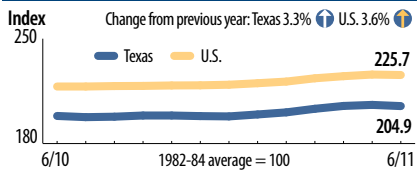
Key Texas Economic Indicators - Texas total nonfarm employment increased by 32,000 jobs from May to June. Between June 2010 and June 2011, Texas gained 22,000 jobs. Over the past year, Texas added jobs in most sectors, including construction, manufacturing, mining and logging, leisure and hospitality, financial activities, professional and business services, educational and health services, and government.

INDEXES

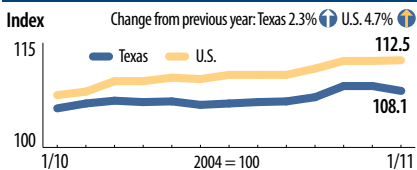
Industrial Production Index



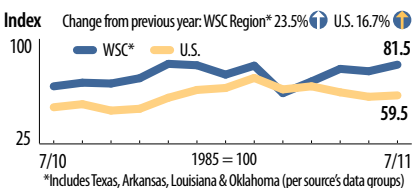
Consumer Price Index



Leading Economic Indicators Index



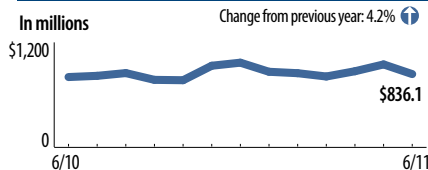
Consumer Confidence Index



*Includes Texas, Arkansas, Louisiana & Oklahoma (per source's data groups)

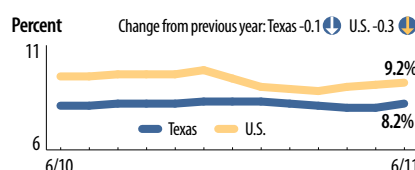
SALES TAX

State Sales Tax Collections, Retail Establishments

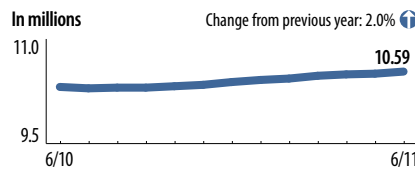


EMPLOYMENT

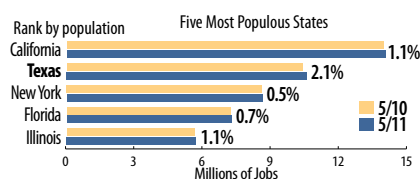
Unemployment Rate



Nonfarm Employment

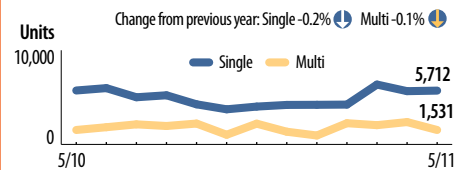


Change in Nonfarm Employment

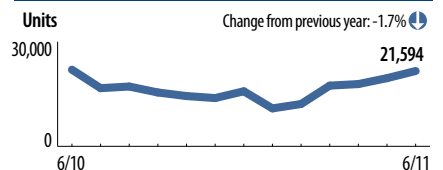


REAL ESTATE

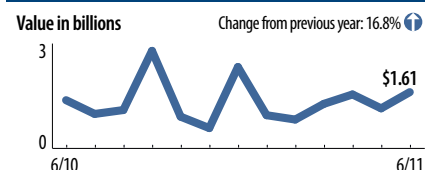
Housing Permits



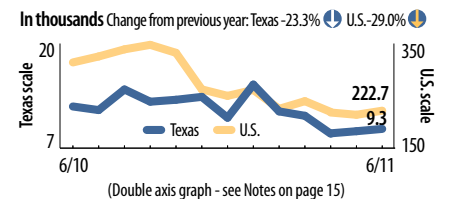
Existing Single-Family Home Sales



Texas Non-Residential Building Construction Contracts



Mortgage Foreclosures



Texas Production and Consumption Indicators

DATE	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value (MILLIONS)	Value (MILLIONS)	Units	Gasoline (MILLIONS OF GALLONS)	Diesel (MILLIONS OF GALLONS)	Dollars	Net Value (MILLIONS)	Packages of 20 (MILLIONS)
2009	\$18,380.2	\$10,021.3	5,178.0	993.0	289.7	\$144,792	\$34,792.6	949.9
2010	14,309.3	7,283.3	4,994.1	996.6	303.9	146,229	21,955.1	630.3
JUN-10	1,916.3	1,156.4	663	1,060.4	313.5	152,300	3,490.5	81.0
JUL-10	2,071.2	1,157.9	676	1,028.3	319.0	154,500	3,460.0	81.2
AUG-10	2,155.7	1,208.2	714	1,034.2	311.4	153,100	3,587.7	81.4
SEP-10	2,087.5	1,071.2	721	1,053.6	310.2	146,800	3,432.6	87.6
OCT-10	2,369.0	1,174.8	717	1,001.6	318.5	144,700	3,325.9	82.4
NOV-10	2,411.3	1,141.1	734	1,031.7	322.2	146,300	3,231.1	79.5
DEC-10	2,712.8	1,439.1	746	1,044.4	308.8	150,800	3,265.1	71.4
JAN-11	2,751.9	1,448.3	736	962.7	314.8	139,000	3,225.5	66.4
FEB-11	2,294.2	1,290.1	747	965.0	304.3	146,100	3,265.7	73.8
MAR-11	3,123.5	1,523.5	748	884.4	284.7	144,000	3,973.8	91.0
APR-11	3,384.4	1,538.3	789	1,039.3	336.7	145,400	3,422.1	85.2
MAY-11	3,257.2		822	1,006.6	321.3	149,300	3,152.2	85.0
JUN-11			839			155,400		88.7

June Cash Condition ¹			
(Amounts in millions)	General Revenue	Other Funds	Total Cash
BEGINNING BALANCE JUNE 1, 2011	\$5,595.1	\$25,539.0	\$31,134.1
Revenue/Expenditures			
Revenue	5,452.7	3,591.2	9,043.9
Expenditures	6,873.2	2,900.0	9,773.2
Net Income (outgo)	\$-1,420.5	\$691.2	\$-729.3
Net Interfund Transfers and Investment Transactions	\$1,991.2	\$-2,127.6	\$-136.4
Total Transactions	570.7	-1,436.4	-865.7
END CASH BALANCE JUNE 30, 2011²	\$6,165.8	\$24,102.6	\$30,268.4

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund balance includes \$3.9 billion derived from the sale of cash management notes.

State Revenue/All Funds ¹			
(Amounts in millions)	Monthly Revenue	Fiscal Year-to-Date June 2011	
	June 2011	Revenue	% Change YTD/YTD
TAX COLLECTIONS BY MAJOR TAX			
Sales Tax	\$1,731.0	\$17,663.1	9.3%
Oil Production Tax	155.3	1,184.6	42.7
Natural Gas Production Tax	71.2	894.3	45.2
Motor Fuel Taxes	264.6	2,580.3	2.6
Motor Vehicle Sales Tax	272.0	2,418.5	13.7
Franchise Tax	19.4	3,753.4	1.5
Cigarette & Tobacco Taxes	137.4	1,245.2	8.7
Alcoholic Beverages Tax	75.8	715.2	6.9
Insurance Companies Tax	18.8	823.3	1.8
Utility Taxes ²	0.2	313.9	-4.5
Inheritance Tax	0.0	0.7	491.2
Hotel/Motel Tax	33.7	303.0	14.1
Other Taxes ³	18.1	2,071.0	20.8
TOTAL TAX COLLECTIONS	\$2,797.2	\$33,966.6	10.0%
REVENUE BY RECEIPT TYPE			
Tax Collections	\$2,797.2	\$33,966.6	10.0%
Federal Income	3,902.7	35,760.0	5.6
Interest and Investment Income	31.4	1,076.5	-5.9
Licenses, fees, permits, fines,	628.9	6,607.4	16.6
Contributions to Employee Benefits	557.3	4,903.1	6.8
Sales of Goods and Services	41.9	213.9	-37.6
Land Income	207.2	1,406.4	128.0
Net Lottery Proceeds ⁴	154.9	1,400.2	-0.3
Other Revenue Sources	722.6	7,601.5	9.4
TOTAL NET REVENUE	\$9,044.0	\$92,935.6	8.8%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

NOTES:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasoline. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs; consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. [† Double axis graphs: Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.]

SOURCES:

KEY TEXAS ECONOMIC INDICATORS:

Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics

Consumer Confidence Index: The Conference Board

Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board

Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics

Nonfarm Employment: Texas Workforce Commission

State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts

Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures	Fiscal Year-to-Date June 2011	
	June 2010	Expenditures	% Change YTD/YTD
BY OBJECT			
Salaries and Wages	\$886.4	\$9,000.2	0.4%
Employee Benefits/Teacher Retirement Contribution	912.1	8,683.3	3.9
Supplies and Materials	100.3	828.0	2.2
Other Expenditures	339.4	3,083.4	12.5
Public Assistance Payments	4,036.6	38,944.6	3.0
Intergovernmental Payments:			
Foundation School Program Grants	1,426.5	14,397.5	9.5
Other Public Education Grants	2,208.5	6,695.0	5.2
Grants to Higher Education	95.8	1,009.4	3.5
Other Grants	296.0	2,659.0	1.3
Travel	13.4	124.9	-3.0
Professional Services and Fees	184.8	1,848.3	1.4
Payment of Interest/Debt Service	99.7	921.5	19.6
Highway Construction and Maintenance	350.0	3,056.5	13.8
Capital Outlay	57.9	451.4	-2.8
Repairs and Maintenance	74.3	655.1	3.0
Communications and Utilities	41.1	419.6	6.2
Rentals and Leases	23.4	235.8	0.6
Claims and Judgments	12.5	90.9	-17.2
Cost of Goods Sold	38.1	408.0	17.0
Printing and Reproduction	3.1	33.3	-12.7
TOTAL NET EXPENDITURES	\$9,773.3	\$93,545.8	4.7%
BY FUNCTION			
General Government			
Executive	\$733.2	\$6,628.5	16.0%
Legislative	12.2	116.1	5.8
Judicial	17.1	220.8	-2.0
Subtotal	762.5	6,965.5	15.1
Health and Human Services	3,945.7	37,600.2	2.1
Public Safety and Corrections	388.9	3,885.3	-4.6
Transportation	626.4	5,412.5	12.4
Natural Resources/Recreational Services	144.2	1,468.4	-1.5
Education	2,906.0	28,520.6	5.8
Regulatory Agencies	31.0	283.4	-3.1
Employee Benefits	798.5	7,603.4	5.4
Debt Service—Interest	99.7	921.5	19.6
Capital Outlay	57.9	451.4	-2.8
Lottery Winnings Paid ²	12.3	433.7	12.1
TOTAL NET EXPENDITURES	\$9,773.3	\$93,545.8	4.7%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.

Contract Value, Non-Residential Building Construction: McGraw-Hill

Mortgage Foreclosures: RealtyTrac

TEXAS PRODUCTION AND CONSUMPTION INDICATORS:

Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts

Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated

Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

Stay Dry in a Texas Home

The nation is still hurting from the real estate bust. In the first quarter of 2011, more than a fifth of all U.S. homeowners were "under water," according to the financial and consumer information firm CoreLogic, meaning that they owed more on their mortgages than their homes are worth.

Texas homeowners have fared considerably better, however. Texas' share of mortgages "under water" was third-lowest among the 10 largest states and less than half of the national average.

STATE	NUMBER OF MORTGAGES	NUMBER OF NEGATIVE-EQUITY MORTGAGES	NEGATIVE-EQUITY SHARE
New York	1,857,196	114,899	6.2%
Pennsylvania	1,817,020	137,080	7.5
TEXAS	3,307,047	335,446	10.1
North Carolina	1,540,349	171,910	11.2
Illinois	2,231,895	483,517	21.7
Ohio	2,198,069	482,048	21.9
US TOTAL	48,012,368	10,905,978	22.7
Georgia	1,604,759	487,118	30.4
California	6,830,925	2,107,984	30.9
Michigan	1,378,669	496,403	36.0
Florida	4,387,148	2,021,868	46.1

Source: CoreLogic



Fiscal Notes is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

Fiscal Notes also provides a periodic summary of the financial statements for the state of Texas.

Articles and analysis appearing in **Fiscal Notes** do not necessarily represent the policy or endorsement of the Texas Comptroller of Public Accounts. Space is devoted to a wide variety of topics of Texas interest and general government concern.

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